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AREA MINES LIMITED

ANNUAL REPORT

1965

AREA MINES LIMITED

(No Personal Liability)

ANNUAL REPORT

As at December 31, 1965

AREA MINES LIMITED

(No Personal Liability)

DIRECTORS

SIR MICHAEL BUTLER, BT., Toronto, Ontario
Partner, Edison, Aird & Berlis

J. M. R. CORBET, Toronto, Ontario
Director, Eastern & Chartered Trust Co.,
Mattagami Lake Mines Ltd.

A. W. Foley, Bourlamaque, Quebec
Mine Manager, Lamaque Mining Company Limited

N. B. Keevil, M.Sc., PH.D., Port Credit, Ontario
President, Teck Corporation Limited

N. B. Keevil JR., M.Sc., PH.D., P.Eng.,
Toronto, Ontario
President, Geophysical Engineering & Surveys Ltd.

J. R. MOONEY, Toronto, Ontario
President, J. R. Mooney & Co. Limited

OFFICERS

NORMAN B. KEEVIL

President

NORMAN B. KEEVIL JR.

Vice-President

SIR MICHAEL BUTLER, BT.

Secretary

JAMES H. WESTELL

Treasurer

JAMES E. KRAFT

Assistant Secretary-Treasurer

REGISTRAR & TRANSFER AGENTS

EASTERN & CHARTERED TRUST COMPANY
Toronto and Montreal

AUDITORS

J. CLARE WILCOX & Co.
Toronto

EXECUTIVE OFFICE

Suite 1000
11 Adelaide Street West
Toronto, Canada

ANNUAL MEETING

Monday, May 2, 1966
11:00 A.M. — Eastern Daylight Saving Time
The Meeting Room
Montreal Aeroport Hilton Hotel
Dorval, Quebec

AREA MINES LIMITED

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

In 1965 the activities of the company were highlighted by the distribution to Area shareholders of the major part of the Mattagami Lake Mines Limited shareholding, by an extensive exploration programme in northern Ontario and eastern Canada, and by a change in management control in December.

As outlined in the 1964 annual report and approved at the April 29 meeting of shareholders, the necessary steps and changes were enacted for the distribution of 243,750 shares of Mattagami Lake Mines Limited to Area shareholders of record April 28, 1965 on the basis of one share of Mattagami Lake Mines Limited for eight shares of Area. Area Mines still retains 42,850 shares of Mattagami Lake. The 1965 balance sheet and financial notes reflect these changes plus the revaluation of other investments held to market as at December 31, 1965.

The company still maintains a strong financial position to finance future exploration activities with the 1965 statement showing cash and short term deposits of \$148,150 and market value of investments of \$887,733 for a total of \$1,035,883.

During the year a total of \$108,268 was spent on exploration. Main efforts were centred in northern Ontario, where the Ivanhoe Syndicate and Timmins area programmes of the previous year were concluded, and in eastern Canada, where three claim groups were staked in New Brunswick and a direct and indirect interest acquired in six groups of claims in the Gaspé Park area of Quebec. Further details and proposed plans for the current year are covered in the "Report on Exploration."

In December, Lamaque Mining Company Limited, a member of the "Keevil Mining Group," acquired a major interest in Area Mines and four of its officials were invited to join the Area Board of Directors with Mr. J. M. R. Corbet and Mr. J. R. Mooney remaining on the Board to provide continuity.

Area and the "Keevil Mining Group" have had a similarity of interests and of exploration philosophy for a number of years and most recently both have been active in the Ivanhoe and Gaspé projects. The centralization of administration and exploration services with those of Keevil Mining Group Limited will provide economy in operations, and also wider scope to exploration activities with more trained personnel available.

It is the intention of the Board of Directors to continue the aggressive exploration policy of the past using the company's cash resources in the most efficient manner for this purpose. We look forward to an active participation in developments in the Gaspé Park area in the current year and believe the company's holdings offer an interesting potential.

On behalf of the Board,



N. B. KEEVIL, *President.*

April 11, 1966.

REPORT ON EXPLORATION

During 1965 exploration activities of your company were concentrated in northern Ontario and eastern Canada.

In the area south of James Bay, three claim groups, Rabkin Lake, Moosonee and Fraserdale, were investigated by geophysical surveys. The Moosonee group was subsequently drilled under option to Selco Exploration Company Limited, and the option terminated when no economic mineralization was encountered. Survey results on the remaining groups are presently being assessed. A fourth area, the Kineras project, was systematically investigated by geophysical and prospecting crews but no claims were staked.

West of Timmins, the Ivanhoe programme, which began in 1964 in partnership with five other companies, was terminated with the completion of 22 drill holes. Although some copper and zinc mineralization was encountered, nothing of ore tenor resulted.

Six claim groups east and north of Timmins were covered by detailed electromagnetic surveys. Three conductors were drilled with no economic mineralization being encountered.

South of Timmins in Zavitz Township, prospecting crews covered a 25-mile greenstone area. No staking resulted from this survey.

East of Matheson, Ontario, a 1964 syndicated programme over parts of four townships was terminated with the completion of eight diamond drill holes. None of the anomalies drilled was proven to have resulted from economic mineralization. Two additional claim groups in this area were drilled. Some weak base metal mineralization was encountered and results are being reviewed. A drilling option in Warden Township was let to Asbestos Corporation (Explorations) Limited on a 31-claim asbestos prospect east of Matheson, held jointly with Canadian Nickel Co. Ltd., and drilling is scheduled to commence early in 1966.

In New Brunswick, prospecting crews carried out a reconnaissance programme which resulted in the staking of three claim groups, the Bald Mountain, Second Lake and Restigouche. This programme is continuing.

Area participated in a syndicate formed to acquire a silver-antimony prospect in British Columbia, but the property was relinquished after an extensive trenching programme returned only low values.

During the year, Area acquired an interest in five groups of claims in and near Gaspé, Quebec. Exploration will be carried out on all of these during 1966. The most interesting property is that of Wexford Mines, formed jointly by Area and Frobex to acquire 99 claims from the Berubé syndicate. Drilling on this group prior to the Terra Nova discovery intersected 150 feet of 1.2% Cu and 40 feet of 1.65% Cu in two holes of a ten-hole programme. The Area-Frobex team will be following these results up aggressively with induced polarization surveys and further diamond drilling as soon as weather permits.

April 11, 1966.

AREA MINES LIMITED

(No Personal Liability)

STATEMENT OF EXPLORATION AND ADMINISTRATIVE EXPENDITURES DEFERRED

For the Year Ended December 31, 1965

(with comparative figures for the year 1964)

	1965	1964
Balance, beginning of year	\$ 78,042	\$ 91,827
Exploration expenditures for the year	<u>108,268</u>	<u>67,473</u>
Administrative expenditures for the year:		
Transfer and registrar agents fees and disbursements	6,929	1,714
Legal fees	17,873	2,773
Directors' fees	2,200	2,550
Audit fees	2,000	800
Travelling expenses	428	1,003
Rent and light	5,038	4,893
Municipal business tax	374	350
Miscellaneous expenses	4,247	3,265
Capital and place of business taxes	327	430
Executive salary	19,667	20,000
Office salaries	8,373	7,333
Depreciation — office equipment	85	98
	<u>67,541</u>	<u>45,209</u>
Deduct — investment income	11,109	4,858
	<u>56,432</u>	<u>40,351</u>
Provincial income tax	25	25
	<u>56,457</u>	<u>40,376</u>
Total exploration and administrative expenditures for the year	164,725	107,849
Deduct — expenditures written off to deficit	164,935	121,634
	<u>210</u>	<u>13,785</u>
Balance, end of year	<u>\$ 77,832</u>	<u>\$ 78,042</u>

AREA MINES LIMITED

(No Personal Liability)

(Incorporated under the Quebec Companies Act)

BALANCE SHEET AS AT DECEMBER 31, 1965

(with comparative figures as at December 31, 1964)

ASSETS		
CURRENT ASSETS	1965	1964*
Cash in bank	\$ 23,710	\$ 12,548
Trust and deposit accounts	1,120	265
Accounts receivable	791	1,294
Short term notes including accrued interest	124,440	218,988
	<u>150,061</u>	<u>233,095</u>
INVESTMENTS (Note 1)		
Quoted shares in other mining companies at market value 1965, and cost less amounts written off 1964 (market value 1964 — \$6,164,030) ...	887,733	1,111,217
Unquoted and escrowed shares in other mining companies — nominal value	7	95,348
	<u>887,740</u>	<u>1,206,565</u>
FIXED ASSETS — at cost		
Equipment	10,951	11,564
Accumulated depreciation	4,607	6,499
	<u>6,344</u>	<u>5,065</u>
Deferred exploration expenses	77,832	78,042
	<u>\$1,121,977</u>	<u>\$1,522,767</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,444	\$ 2,604
Provision for provincial taxes	25	25
	<u>1,469</u>	<u>2,629</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 2)		
AUTHORIZED —		
10,593,750 non-voting, non-cumulative 6% redeemable preferred shares with a par value of 25 cents each		
3,000,000 common shares with a par value of 25 cents each		
ISSUED AND FULLY PAID —		
2,000,000 common shares	500,000	2,000,000
Capital surplus	1,681,604	416,299
	<u>2,181,604</u>	<u>2,416,299</u>
Deficit	1,061,096	896,161
	<u>1,120,508</u>	<u>1,520,138</u>
	<u>\$1,121,977</u>	<u>\$1,522,767</u>

Signed on behalf of the Board

N. B. KEEVIL, Director.

J. M. R. CORBET, Director.

* Reclassified for comparative purposes.

AREA MINES LIMITED

(No Personal Liability)

CAPITAL SURPLUS

For the Year Ended December 31, 1965

	1965
Balance, beginning of year	\$ 416,299
Add:	
Revaluation of investment in Mattagami Lake Mines Limited shares as at April 27	5,662,325
Deduct:	
Distribution to shareholders — 243,750 shares of Mattagami Lake Mines Limited for the redemption of 13,406,250 preferred shares	4,814,063
Less — reduction in par value of 2,000,000 common shares from \$1 to 25 cents per share	1,500,000
	3,314,063
Revaluation of investments to market value as at December 31	1,082,957
	4,397,020
Net increase	1,265,305
Balance, end of year	<u>\$1,681,604</u>

DEFICIT ACCOUNT

For the Year Ended December 31, 1965

(with comparative figures for the year 1964)

	1965	1964
Balance, beginning of year	\$ 896,161	\$ 774,527
Add — exploration and administrative expenditures written off	164,935	121,634
Balance, end of year	<u>\$1,061,096</u>	<u>\$ 896,161</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Area Mines Limited (No Personal Liability) as at December 31, 1965 and the statements of exploration and administrative expenditures deferred, deficit and capital surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of exploration and administrative expenditures deferred, deficit and capital surplus when read in conjunction with the notes appended thereto present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the revaluation of investments.

We also examined the accompanying statement of source and application of funds for the year ended December 31, 1965 which is presented as supplementary financial information and in our opinion the statement presents fairly the information shown therein.

Toronto, April 13, 1966.

J. CLARE WILCOX & CO.,
Chartered Accountants.

AREA MINES LIMITED

(No Personal Liability)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1965

(with comparative figures for the year 1964)

	1965	1964
Working capital, beginning of year	\$ 230,466	\$ 15,842
Source of funds:		
Depreciation charges	2,269	1,740
Sale of investments (net)	84,130	323,323
	<u>86,399</u>	<u>325,063</u>
Application of funds:		
Fixed asset expenditures	3,548	2,590
Exploration and administrative expenditures for the year	164,725	107,849
	<u>168,273</u>	<u>110,439</u>
Net Decrease or (Increase)	81,874	(214,624)
Working capital, end of year	<u>\$ 148,592</u>	<u>\$ 230,466</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 1965

1. The investments in other mining companies have been revalued to market values as at December 31, 1965.
2. The company increased its capitalization during the year by the creation of 24,000,000 preferred shares par value 25 cents. The capitalization was decreased by the reduction in the par value of the common stock from \$1.00 to 25 cents.
3. The company distributed to its shareholders by way of a stock dividend 13,406,250 preferred shares and redeemed them in exchange for 243,750 shares of Mattagami Lake Mines Limited. The Mattagami Lake Mines Limited shares were distributed on a basis of 1 share for every 8 shares of Area Mines Limited, par value \$1.00, excluding the 50,000 shares of Area Mines Limited held in trust for the company.
4. There are 50,000 shares of the company stock which have been donated for the company's benefit, and are held in trust in the names of N. B. Keevil and Sir Michael Butler, Bt.

